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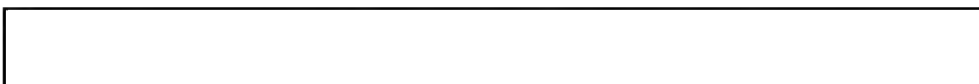
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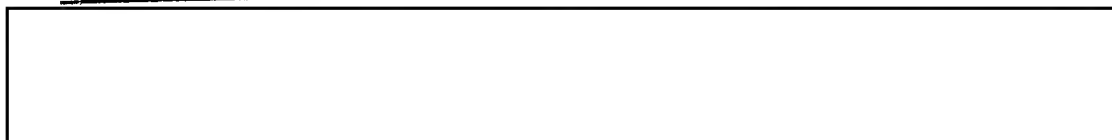
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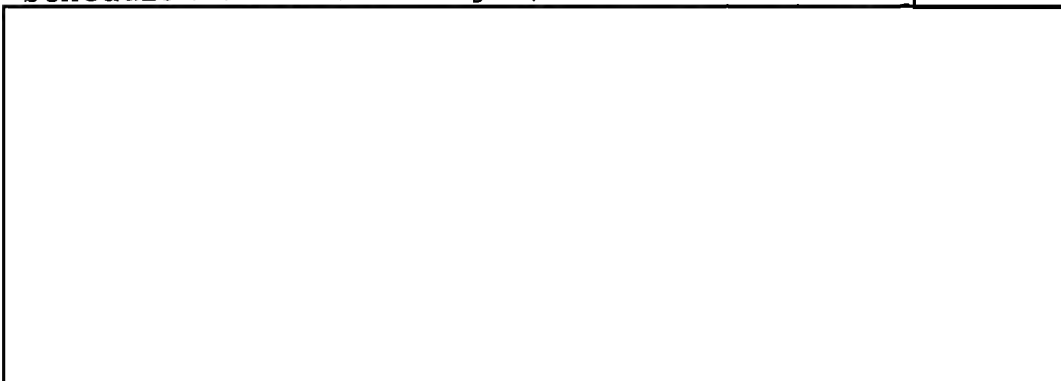
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*Cambodia: Sihanouk is returning to Cambodia, apparently determined to reassert his authority.

The Cambodian chief of state has canceled his scheduled visits to Prague, Moscow, and Peking



Sihanouk and the government have been at loggerheads for some time now, but the violent anti-Vietnamese demonstrations represent the first overt attempt on the government's part to undermine Sihanouk's foreign policy. While Sihanouk has been in the forefront of criticism of Vietnamese Communist activities in Cambodia, he has taken some care to avoid pressing the Communists too far.

What the government leaders hoped to achieve by the violent demonstrations is still far from clear. By playing on traditional Cambodian animosity toward the Vietnamese, they may have wanted to confront Sihanouk with an issue on which popular opinion would be against him. They may also, however, have miscalculated Sihanouk's reaction. Up to now, the government's strategy has been slowly and carefully to limit Sihanouk's power.

At any rate, the government leaders must now decide whether to meet Sihanouk head-on or give ground. Much will depend on how hard Sihanouk

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presses them when he returns to the capital and whether individuals like Deputy Prime Minister Sirik Matak, who has led the anti-Sihanouk forces, calculate that they can count on firm and continuing support from those forces. [REDACTED]

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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Australia: Defense Minister Malcolm Fraser has reconfirmed and broadened Australia's commitment to regional defense.

In the most comprehensive defense planning statement in recent years, Fraser told parliament on 10 March that, within the limits of its resources, Australian military capability must be geared both for direct defense of Australia and for deployment in Southeast Asia and the Indian Ocean area. In describing the changing security scene, which he said demanded increased Australian responsibility and self-reliance, he discussed growing Soviet activity in the area, the continuing Chinese threat, Japan's role as a stabilizing factor, the "irreversible" British withdrawal, and the Nixon doctrine. He expressed understanding and acceptance of the latter.

Fraser outlined in some detail how Australia plans to reorganize its defense structure, purchase new equipment, and beef up its defense infrastructure. These plans involve new naval installations at two locations on the west coast and one on the north, and a five-year purchase program which includes among other items 137 helicopters, ten strike aircraft, and two submarines. He said Australia would strive for maximum strategic flexibility and for compatibility of weapons and equipment with the US and New Zealand.

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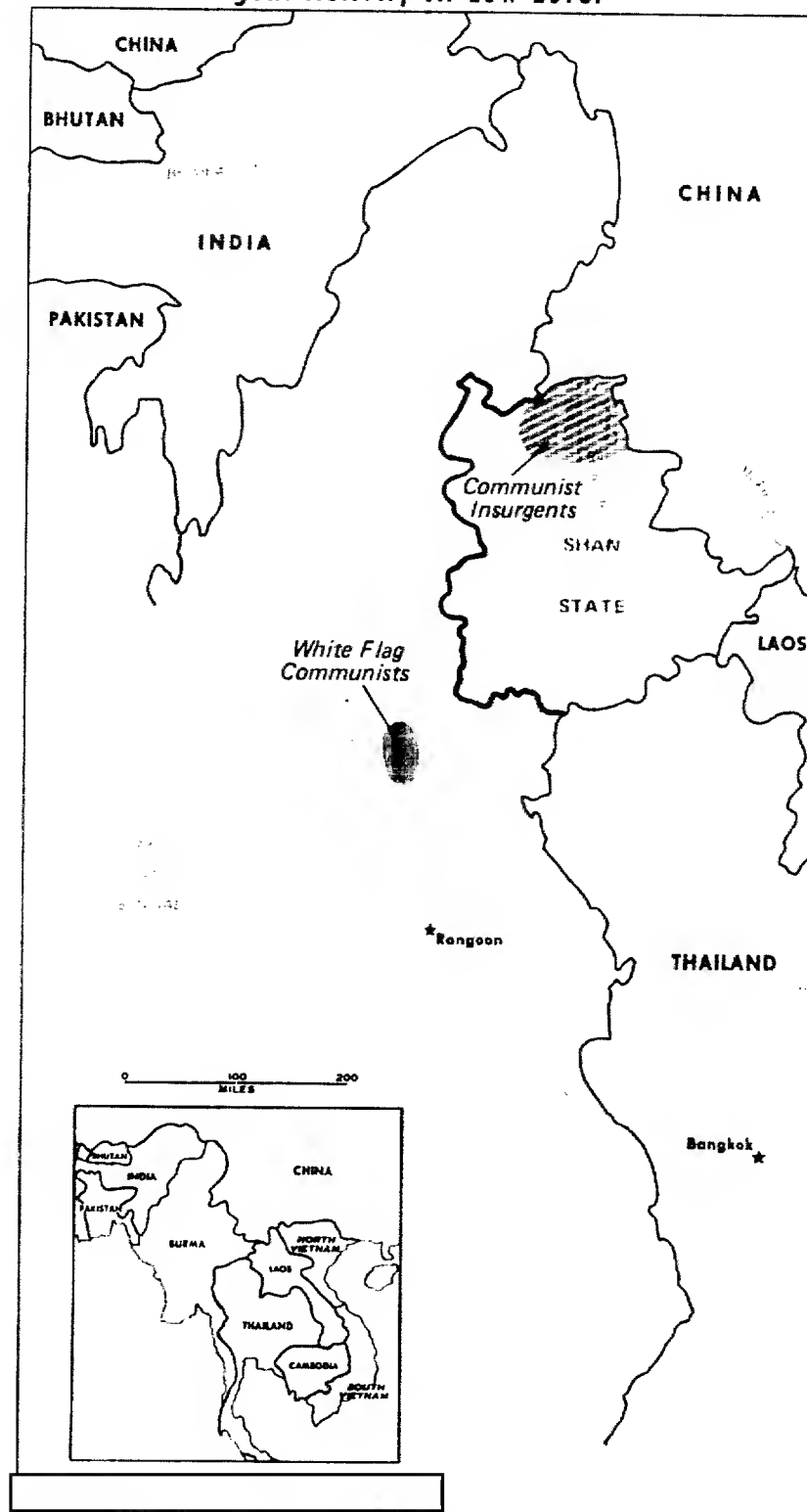
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BURMA: Insurgent Activity At Low Level



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Burma: Communist insurgents have not yet shown their customary dry season aggressiveness.

In normally troublesome areas along the Chinese border, there have been no reported major engagements with Chinese Communist - backed insurgents since late December, and government casualties from minor skirmishes and rebel ambushes have been relatively light.

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In central Burma continued army pressure on the oldest Communist insurgent group, the White Flags, has forced them to relocate their headquarters in less familiar surroundings. They now have to contend with a hostile peasantry as well as government forces.

The Burmese are facing increased terrorism from formerly cooperative local self-defense forces in towns in Shan State. Some of these units went underground last fall after the Burmese arrested one of their leaders. Ethnic groups elsewhere, in a state of rebellion for 22 years, are maintaining their customary level of harassment. This taxes the Burmese military but represents no real threat to the government.

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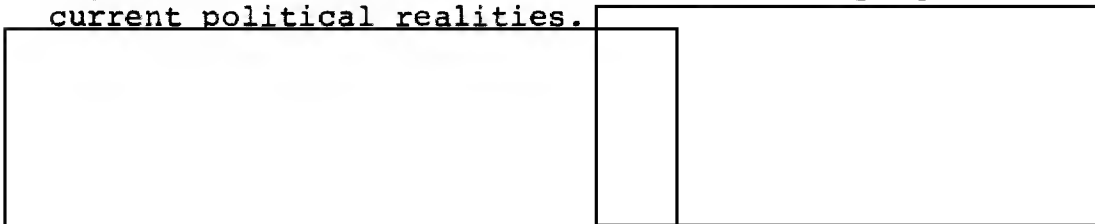
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Japan: Tokyo is easing restrictions on travel to Communist countries with which it has no diplomatic relations.

The move will primarily affect Communist China, North Korea, and North Vietnam, but travel to East Germany, Albania, and Mongolia is also included. Tokyo is concerned over the "unrealistic attitude" toward Japan held by the Asian Communist countries, and [redacted] wants to encourage travel by a more representative spectrum of Japanese than businessmen and ideological sympathizers.

South Korea has already lodged an official protest over the Japanese action, and Nationalist China and South Vietnam may also register their displeasure with Tokyo.

Japan's re-evaluation of its travel policy may well have been brought about by the government's desire to liberalize restrictions on travel to and from Communist China in order to show a "forward looking" attitude toward the trade talks that have just opened in Peking. The easing of travel restrictions, however, also reflects a growing consensus in Japan, both inside and outside the government, that travel regulations should be more flexible in keeping with current political realities.



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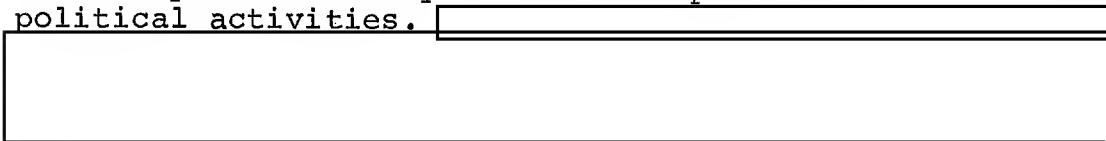
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Panama: The government is increasing its pressure on the US to grant extradition of Hildebrando Nicosia, a top aide of deposed president Arias.



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Nicosia, who served as minister of the presidency during the short-lived Arias administration in October of 1968, sought asylum in the Canal Zone on 28 February after unsuccessfully trying to organize a coup against the government. Although the Panamanians have charged him with embezzlement, the extradition request is undoubtedly motivated by a desire to punish him for his political activities.

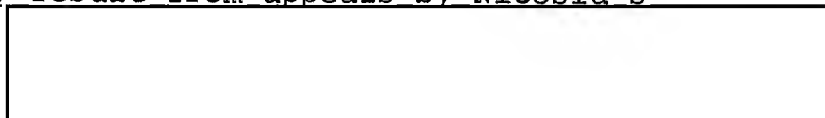


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The extradition request has thus far been delayed by normal judicial procedures, and further delay may result from appeals by Nicosia's defense counsel.



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Ecuador: The closure of a high school and the firing of its popular rector have set the stage for another round of government-student clashes.

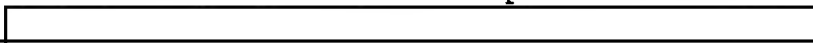
The issue being used this time by student leaders in their continuing assault on the government is the abolition of the premilitary training program. Although students in one of Quito's high schools have been on strike since 3 March, their protest had been relatively mild and nonviolent.

President Velasco, viewing the strike as another indication of the degeneration and lack of discipline of Ecuadorean youth, accepted the resignation of the school's rector and closed the school on 9 March.



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This overreaction to the student problem appears to be indicative of the general frustration felt by Velasco as his more serious financial problems remain unresolved.



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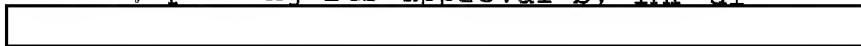
Bolivia: Left-wing students have announced that a demonstration will be held on 13 March to protest the visit of US Assistant Secretary of State for Inter-American Affairs Meyer. The students have invited labor and other "progressive" elements to participate, probably in the hope of duplicating their success in limiting Governor Rockefeller's visit last May to a two-hour airport stopover. President Ovando has been looking forward to the visit, however, and should be in a much better position to control the students than was his civilian predecessor.



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Peru: The stand-by credit that has just been negotiated with a mission from the International Monetary Fund (IMF) should allow foreign debt refinancing arrangements to go into effect. Peru's foreign creditors have insisted upon this as a condition for granting the debt relief negotiated last year. The amount of the credit has not been announced, however, pending its approval by IMF directors.



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Iraq: Spokesmen for the Baathist regime and the rebel Kurds yesterday announced an agreement to end their fighting. For several months Baghdad had been attempting to arrange a settlement with Kurdish leader Barzani, who has been wary of the government's offers for peace. Details of the settlement are not clear, nor is the finality of any agreement certain; a similar pact in 1966 gradually deteriorated into serious fighting by the fall of 1968. [REDACTED]

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Italy: Following former premier Aldo Moro's decision not to undertake to form a new government, President Saragat is reported turning to another former premier, Amintore Fanfani, in a further attempt to stave off early parliamentary elections. Fanfani presumably would head an all Christian Democratic government. His decision on whether to accept such a mandate is likely to be heavily influenced by his assessment of the effect this would have on his chances for the presidency next year.

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Indonesia-USSR: Foreign Minister Malik's visit to Moscow in late February failed to produce an agreement on the rescheduling of Djakarta's \$800-million debt to the USSR. Another round of talks on the problem is to be held later this year. Prior to the Malik visit, Western creditors had failed to approve a generous debt repayment proposal that could have set a precedent for negotiations with Moscow. Djakarta probably will now seek to defer future talks on its Soviet debt until a long-term agreement can be reached on the rescheduling of Indonesia's free world debts, while Moscow will continue to press for an earlier settlement. [REDACTED]

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